

Tax Season Education

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This presentation is intended for informational purposes only, and is not a substitute for seeking professional advice or for reviewing the applicable laws and rules. This presentation represents some positions of the Department on the limited issues discussed herein, based on the law in effect at the time of the presentation and Department interpretation thereof, as well as the opinions and conclusions of its presenter.

For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.) for independent verification.

Agenda

- I. Business Tax Basics
- II. Business Tax Credits
- III. Interest & Dividends Tax Basics
- IV. Meals & Rentals Tax Basics
- V. Penalties and Interest Calculations
- VI. 2018 Forms Changes
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Business Profits Tax (BPT)

RSA 77-A

Overview of Tax	When to File/Pay for Calendar Year End
<ul style="list-style-type: none">•7.7% of taxable business profits for taxable periods ending on or after 12/31/19 (7.5% for taxable periods ending on or after 12/31/21)•Every enterprise organized for gain or profit carrying on any business activity within the state•Gross business income in excess of \$50,000 from all activities	<ul style="list-style-type: none">•Partnership returns are due March 15•Corporate, proprietorship, and fiduciary returns are due April 15•7-month extensions to file, with payment, are due by the return due date•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$200

Business Enterprise Tax (BET)

RSA 77-E

Overview of Tax	When to File/Pay for Calendar Year End
<ul style="list-style-type: none">•0.6% of the Enterprise Value Tax Base for taxable periods ending on or after 12/31/19 (0.5% for taxable periods ending on or after 12/31/21)•Every profit or non-profit enterprise or organization with any business activity inside NH (except 501(c)(3) organizations)•Gross business receipts in excess of \$217,000 or Enterprise Value Tax Base greater than \$108,000 (both adjusted based on CPI every 2 years), for taxable periods ending on or after 12/31/19•Credit for BET paid against Business Profits Tax due•Carry forward unused credit for 10 years	<ul style="list-style-type: none">•Partnership returns are due March 15•Corporate, proprietorship, and fiduciary returns are due April 15•Non-profit returns are due May 15•7-month extensions to file, with payment, are due by the return due date•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and December 15 if estimated liability exceeds \$260

BPT & BET Tax Rate

<u>For Taxable Periods Ending</u>	<u>BPT Rate</u>	<u>BET Rate</u>
on or after December 31, 2021	7.5%	0.50%
on or after December 31, 2020	7.7%	0.60%
on or after December 31, 2019	7.7%	0.60%
on or after December 31, 2018	7.9%	0.675%
on or after December 31, 2017	8.2%	0.72%
on or after December 31, 2016	8.2%	0.72%
Prior Periods	8.5%	0.75%

Business Tax Credits

Tax Credit	Details
Community Development Finance Authority (CDFA) – Investment Tax Credit (RSA 162-L) Administering Agency: <u>Community Development Finance Authority</u>	<ul style="list-style-type: none"> • 75% of contributions made to CDFA • \$3.75 million tax credits available each year (\$5 million donations) • Can be carried forward 5 years • Can be applied to the BPT, BET or Insurance Premium Tax
Economic Revitalization Zone Tax Credit (RSA 162-N) Administering Agency: <u>Business and Economic Affairs</u>	<ul style="list-style-type: none"> • \$825,000 tax credits available each year, with a max of \$40,000 per taxpayer • Measured by the creation of jobs in certain economic revitalization zones • Can be carried forward 5 years • Can be applied to the BPT or BET
Research & Development Tax Credit (RSA 77-A:5) Administering Agency: <u>Department of Revenue Administration</u>	<ul style="list-style-type: none"> • Measured by amount of R&D expenditures • \$7 million issued each year, with a max of \$50,000 per taxpayer • Application deadline is June 30 following the tax year during which R&D occurred • Can be applied to BPT or BET
Coos County Job Creation Tax Credit (RSA 77-E:3-c) Administering Agency: <u>Business and Economic Affairs</u>	<ul style="list-style-type: none"> • Measured by the creation of jobs in Coos County • No cap on program • Can be carried forward 5 years • Can be applied to the BPT or BET
Education Tax Credit (RSA 77-G) Administering Agency: <u>Department of Revenue Administration</u>	<ul style="list-style-type: none"> • 85% of donation made to an approved scholarship organization • \$5.1 million available each year, per taxpayer max donation of \$600,000 • Can be carried forward 5 years, but not more than \$1 million in any given tax year • Can be applied to the BPT, BET or Interest & Dividends Tax

Interest and Dividends Tax (I&D)

RSA 77

Overview of Tax	When to File/Pay for Calendar Year End
<ul style="list-style-type: none">•5% on interest and dividends income•All New Hampshire residents, fiduciaries, LLCs, partnerships and associations with income from interest and dividends•Threshold of \$2,400 annually (\$4,800 for joint filers) with a \$1,200 exemptions for residents age 65 or older, blind, or disabled before their 65th birthday	<ul style="list-style-type: none">•Returns are due April 15•7-month extensions to file, with payment, are due by the return due date•Estimates equal to 25% of estimated tax liability are due April 15, June 15, September 15 and January 15 (of the subsequent year) if estimated liability exceeds \$500

Meals and Rooms (Rentals) Tax (M&R)

RSA 78-A

Overview of Tax	When to File/Pay
<ul style="list-style-type: none">•9% on meals, rooms and motor vehicle rentals•Tax is paid by the consumer and collected and remitted by operators of hotels, restaurants, or other businesses providing taxable meals, rooms rentals, and motor vehicle rentals•Operators may retain a commission equal to 3% of taxes due if return and payment are timely filed, they maintain appropriate records, and they file electronically if the prior year's taxable revenue was greater than \$25,000	<ul style="list-style-type: none">•Returns are filed on a monthly basis and are due by the 15th day of the month following the taxable period•Electronic filing, via touch tone telephone and personal computer, is available.•A paper return is not required if filing electronically, but operators must retain the Meals and Rooms (Rentals) worksheet

Penalties and Interest – All Taxes

Interest

The interest rate is currently 7% of the amount of tax not paid by the due date (effective 1/1/2019 – 12/31/2019).

Penalties

Failure to File a Return – 5% of the total tax liability for each month the return remains unfiled (limited to 25% of the total tax due).

Failure to Pay Tax – 10% of the total amount of non-payment or underpayment.

Tax Year 2018 Forms Changes

- **NEW** Schedule IV for BPT return – Taxpayers will be required to detail any items included on their Federal Return that are required to be eliminated or adjusted on their NH BPT return.
- Form DP-160, Schedule of Credits, has new lines to calculate the carry forward of the Education Tax Credit for Business Taxpayers.
- Form DP-10, Interest and Dividends Tax Return has new lines to deduct the Education Tax Credit now available for use against the I&D Tax.

Recent Legislative Changes

- Section 179 deduction for capital expenditures increased from \$100,000 to \$500,000 for property placed in service on or after 1/1/2018.
- 10-year tax exemption (BPT and BET) for “qualified regenerative manufacturing businesses.” Election must be filed with DRA to receive the exemption.
- Education Tax Credit can now be used to offset an I&D Tax liability.
- Education Tax Credit can now be carried forward to offset BPT and BET liabilities for 5 years.

Common Filing Errors

- Changing the order you and your spouse or listed on your NH I&D return from year to year.
- Using a prior year's version of a DRA form.
- Missing pages of a DRA form.
- Failure to attach required schedules or federal pages.
- Filing a paper return after submitting electronically through the MeF (Modernized e-File) system.

Ways to File and Pay



Electronically file many return types and pay taxes (returns, amended returns, estimates, extension, and tax notice payments) on the DRA website by clicking the e-file icon. Payments can be made by credit card or directly from your bank account.

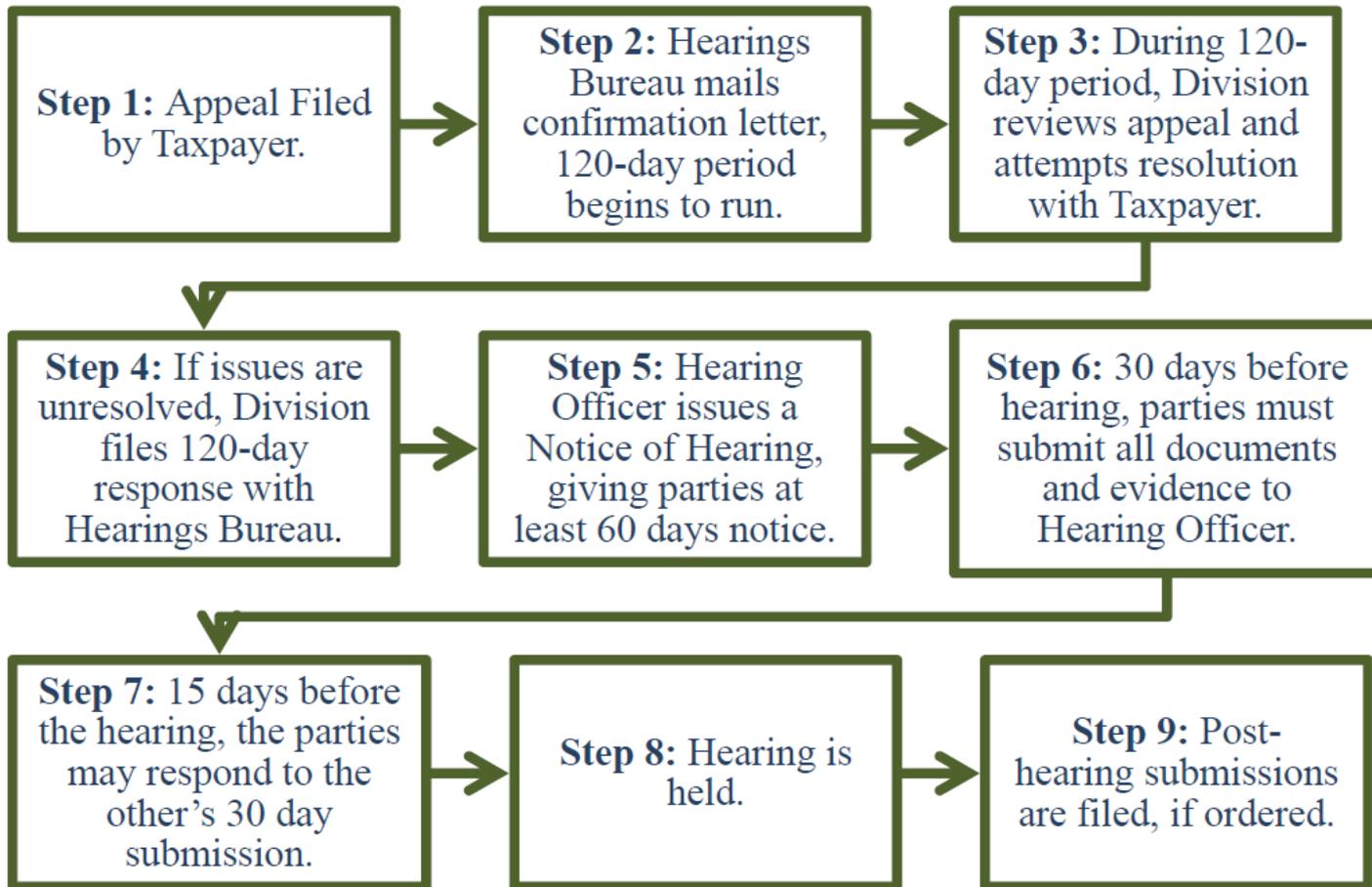
Modernized e-File – File your returns electronically utilizing numerous well-known commercial software vendors. A full list of authorized vendors can be found on the Forms Page of the DRA website.

Mail – Mail or hand deliver your return form and payment to the DRA in accordance with the form's instructions.

Audit Process

Selection	A neutral selection process, generally based on data queries and randomization, except for referrals/whistleblowers.
Initial contact	Either by letter or phone call. A “taxpayer bill of rights” will be provided, which will explain the process and the taxpayer’s rights.
Schedule and conduct any field work	Audit work may be conducted at the Department and at the taxpayer’s location. In that case, we attempt to find a mutually suitable time.
Requests for information or documents	We may make one or more requests for materials necessary to finish the audit. We allow taxpayers the time to gather the information.
Status letter	Sent periodically to help taxpayer understand the timing of their audit.
No-change letter	We will issue a “no-change” letter to close an audit without changes to the tax return.
Proposed assessment or refund	If we intend to adjust the tax return, we will send the taxpayer a proposed assessment to discuss.
Notice of assessment or refund	If we will close the audit by adjusting the taxpayer’s return, we will issue a notice of assessment.
Appeal rights	Most audits generally close in 9 months or less. If the taxpayer disagrees with the audit outcome, the taxpayer may file an appeal.

DRA Appeals Procedure



COMING SOON!
THE DEPARTMENT OF REVENUE ADMINISTRATION'S



GRANITE TAX CONNECT

What is It?

The agency's new online portal to manage accounts for taxpayers and tax professionals! The portal will allow users to:

- File and Amend Returns
- Register New Accounts
- View Balances
- Update Information
- Make Payments
- And More!
- View Correspondence

When Can People Use the New Portal?

The website goes Live October 28, 2019

What Tax Types Will be Available on the Portal?

- Meals and Rentals Tax
- Nursing Facility Quality Assessment
- Medicaid Enhancement Tax
- More in Future Years!

MORE INFORMATION TO COME! WANT UPDATES?

Send your name and email address to MRFeedback@dra.nh.gov to make sure you are on the newsletter distribution list.

Who do I call with questions?

Taxpayer Services

(603) 230-5920

(Selection Option 6)

Monday – Friday 8:00 am
to 4:30 pm



Sign up to receive Department announcements and news directly to your inbox.